



# Endgame for Europe's Chemicals Industry

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## Structural clarity is now decisive for European chemical companies

The European chemical industry is in the midst of a profound structural crisis. This is not a temporary downturn, but a fundamental transformation. The crisis in German industry is already a reality – and it is now hitting chemicals and pharmaceuticals with full force. In fiscal year 2025, production fell by 2.5% and revenues even declined by 3.0%. Plant utilization has dropped to around 70% – a historic low. In the coming years<sup>1</sup>, up to 20% of capacity in certain value chains could be removed from the market<sup>2</sup>.

Three structural factors are primarily responsible: declining demand, structural cost disadvantages compared with global competitors, and massive overcapacities in China, the United States, and India, which are increasingly flowing into global markets. Uncertainty around future tariff barriers is further aggravating the situation.

## Plant closures and capacity reductions at record levels

Current developments are the expression of a structural crisis. Companies must consistently realign their portfolios to the new market conditions. The industry is already well into this adjustment process. Dow has announced the closure of a chlor-alkali plant in Schkopau, Huntsman is ending maleic anhydride production in Moers, LyondellBasell is closing its site in the Dutch Maasvlakte, and Bayer is discontinuing herbicide production in Frankfurt. Numerous additional site decisions have been announced in recent months.

In 2023 and 2024 alone, around 11 million tonnes of capacity were shut down; a further 20 million tonnes – particularly in aromatics, olefins, and polymers – could follow over the next three to five years. Since 2022, production volumes have declined by roughly 30 million tonnes per year<sup>3</sup>. Capacity reductions have thus reached a scale unprecedented even in the historical context of the industry.

This development represents more than a cyclical downturn. It marks a gradual withdrawal of European chemicals – quiet, but profound. With every plant closure, not only value creation and jobs are lost, but also know-how, innovative capacity, and regional stability – and thus the future.

This dynamic hits a fragile network of tightly interlinked value chains, where volume reductions and permanent capacity removals do not act in isolation. Instead, they disrupt material flows, increase systemic fragility, and sustainably weaken the competitiveness of domestic industry. Europe's chemical network – once a symbol of integrated efficiency – is increasingly at risk of losing its balance.

Chemicals and pharmaceuticals form the industrial backbone of Germany. Deindustrialization is no longer a theoretical scenario. The industry is facing a painful market consolidation whose consequences extend far beyond individual sites.

1. Martin, Marilyn, and William Wilkes. German chemical plants are running at lowest level since 1991, September 3, 2025. <https://www.bloomberg.com/news/articles/2025-09-03/german-chemical-plants-are-running-at-lowest-level-since-1991>.
2. Brown, Tom. "German Chems Sales to Drop in 2026 after 'Exhausting' Year – VCI." *Icис.com*, December 10, 2025. <https://www.icis.com/explore/resources/news/2025/12/10/11162912/german-chems-sales-to-drop-in-2026-after-exhausting-year-vci/>.
3. Cozier, Muriel. "Europe's Chemical Sector 'is at Breaking Point' Warns Report." *SCI - where science meets business*, January 31, 2025. <https://www.soci.org/news/2025/1/eu-and-uk-chemical-industry-need-urgent-action-to-stem-decline>.



At the same time, the ownership situation is becoming more challenging: as many private-equity engagements approach maturity and the pool of willing buyers shrinks, hopes for orderly exits are fading for many chemical businesses. Where divestments fail due to weak fundamentals, closures, portfolio adjustments, and far-reaching restructurings increasingly become the last remaining options.

## Between commodity platforms and specialty niches

The gap between distressed commodity platforms and profitable specialty niches continues to widen. This is driving M&A activity, spin-offs, and capital reallocation. Upstream chains such as olefins, polyolefins, and intermediates are particularly affected, suffering from stagnating demand and a flood of global overcapacities.

This polarization is also reflected at the strategic level. While differentiated specialty chemicals businesses – characterized by intellectual property, application-specific know-how, and generally asset-light structures – are being selectively expanded, basic chemicals and intermediates are increasingly entering a “survival of the fittest” mode. Only highly integrated players with strong site networks and optimized energy and material flows can still partially compensate their structural cost disadvantages.

However, the former “last man standing” strategy is no longer sufficient. In a globally oversupplied market, even the most efficient European asset will struggle to remain competitive in the long term unless it is embedded in a clearly differentiated value creation logic.

An analysis by Alvarez & Marsal also shows that engineering plastics such as polyamides or PVC are under double pressure: on the one hand from structural demand weakness in key industries such as automotive and construction, and on the other hand from increasing competition from low-cost imports.

By contrast, specialty chemicals and life sciences segments such as flavors and fragrances, biopolymers, APIs, or water treatment chemicals remain relatively stable. They benefit from long-term demand drivers, regulatory protection, and high entry barriers that support their competitive positioning.

## Strategic clarity instead of postponement

Across all value chains, one thing is clear: the time for half-hearted portfolio discussions is over. In an environment of persistent overcapacity, high energy costs, and structurally weak demand, chemical companies need one thing above all – critical honesty. It is no longer enough to hope for better market conditions or to rely on a short-term cyclical recovery.



What is required is a ruthless assessment of business segments and assets with regard to their future viability – and the willingness to draw consequences even when they are painful. In many cases, an orderly withdrawal from unprofitable activities will be the most rational and cash-preserving option to secure liquidity, stabilize healthy businesses, and preserve a sustainable future perspective.

This is no longer about cosmetic portfolio management, but about hard decisions. Those who acknowledge structural reality ultimately protect what still has substance. In many situations, there is simply no realistic option left to “fix” certain businesses. Instead of tying up resources in restructuring attempts without structural upside, companies must deliberately redirect scarce management attention and capital toward viable business fields.

In practice, three strategic directions emerge, which can be combined depending on the starting position:



### Retreat and consolidation

Focusing on a limited number of competitive core sites and production clusters enables scale effects and strengthens profitability. Unprofitable assets are consistently closed – not as emergency measures, but as conscious strategic decisions to secure long-term viability.



### Reconfiguration and integration

Investments in specialized niches, downstream applications, or circular economy models open up new growth fields. The focus shifts from broad commodity platforms toward higher-margin, more resilient specialty segments.



### Divestment or shutdown

Non-viable segments are selectively divested or orderly taken off the market. This creates liquidity, reduces losses, and enables the reallocation of capital toward sustainable business models.

We increasingly observe that the closure of entire sites is becoming a deliberate strategic lever. Early involvement of employee representatives and a joint assessment of alternatives are critical success factors.





## Framework conditions as a key factor

Alongside these corporate decisions, policymakers are also called upon. Competitive energy prices, streamlined regulation, and targeted infrastructure investments are fundamental prerequisites for successful industrial transformation and for preserving value creation in Europe.

At the European level, awareness of the strategic importance of the chemical industry is growing. With the EU Commission's "Action Plan for the Chemical Industry" and the planned "Critical Chemical Alliance," resilience is moving to the center of European industrial policy. The objective is to safeguard critical production capacities, modernize investments, and simplify regulatory frameworks. If implemented consistently, this approach could help move Europe from analysis into action – and send a signal that industrial transformation and industrial policy are once again being thought of together.

As noted above, chemicals and pharmaceuticals form the industrial backbone of Germany. If this foundation erodes, the consequences for jobs, innovation, and industrial value creation across the entire country will be far-reaching. When chemicals weaken, the Mittelstand comes under pressure – and with it the backbone of German industry. The implications extend well beyond the sector: lower investment, reduced purchasing power, and a loss of economic and social stability.

## Conclusion

The European chemical industry is facing a fundamental reorganization. Companies that adapt their portfolios early, reallocate capital with discipline, and leverage strategic partnerships can emerge stronger from the crisis. For others, deep and painful cuts will be unavoidable.

At the same time, this transformation offers the opportunity to strengthen resilient segments and sustainable business models – and thereby lay the foundation for a more competitive and resilient chemicals industry in Europe.



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